PRINCETON SYMPHONY ORCHESTRA

PRINCETON SYMPHONY ORCHESTRA, INC.
Financial Statements
June 30, 2019 and 2018
With Independent Auditors' Reports

withum
ADVISORY TAX AUDIT

Princeton Symphony Orchestra, Inc.
June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Trustees,
Princeton Symphony Orchestra, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Princeton Symphony Orchestra, Inc. (the "Organization") which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the statement of functional expenses for the year ending June 30, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Princeton Symphony Orchestra, Inc. as of June 30, 2019 and 2018, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Other Information

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Organization taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State of New Jersey, Department of State, State Council on the Arts grant contract and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated November 5, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Emphasis of a Matter

As disclosed in Note 2 of the financial statements, in 2019, the Organization adopted Accounting Standards Updates 2016-14, *Not for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

WithumSmith+Brown, PC

November 5, 2019

Statements of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ 246,493	$ 423,273
Grants receivable	21,398	11,398
Accounts receivable	500	2,400
Contributions receivable, current portion	469,760	238,912
Certificates of deposit	264,450	102,113
Prepaid expenses	37,913	43,048
Total current assets	1,040,514	821,144
Property and equipment, net	8,566	2,840
Website, net	35,250	--
Trademark, net	2,648	2,942
Contributions receivable, net of current portion	1,162,539	90,660
Investments	5,203,318	4,654,171
Total assets	$ 7,452,835	$ 5,571,757
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 2,066	$ 22,067
Deferred revenue	272,669	234,995
Total current liabilities	274,735	257,062
Net assets		
Without donor restriction		
Undesignated	552,832	379,132
Board-designated innovation funds	381,160	277,965
Board-designated endowment funds	745,677	724,300
	1,679,669	1,381,397
With donor restriction	5,498,431	3,933,298
Total net assets	7,178,100	5,314,695
Total liabilities and net assets	$ 7,452,835	$ 5,571,757

The Notes to Financial Statements are an integral part of these statements.

Princeton Symphony Orchestra, Inc.
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Revenues						
Contributions						
Individuals, corporations, foundations	$ 800,333	$ 1,929,532	$ 2,729,865	$ 533,705	$ 666,992	$ 1,200,697
Government grants	55,592	--	55,592	45,592	--	45,592
Total contributions	855,925	1,929,532	2,785,457	579,297	666,992	1,246,289
Ticket sales	441,921	--	441,921	412,985	--	412,985
Other performance fees	57,371	--	57,371	29,450	--	29,450
Special events	215,386	--	215,386	229,240	--	229,240
Other revenue	17,820	--	17,820	20,620	--	20,620
Net investment return	241,211	--	241,211	369,234	--	369,234
Net assets released from restrictions	364,399	(364,399)	--	369,202	(369,202)	--
Total revenues	2,194,033	1,565,133	3,759,166	2,010,028	297,790	2,307,818
Expenses						
Program	1,446,032	--	1,446,032	1,195,403	--	1,195,403
General and administrative	162,074	--	162,074	195,299	--	195,299
Fundraising	287,655	--	287,655	245,195	--	245,195
Total expenses	1,895,761	--	1,895,761	1,635,897	--	1,635,897
Changes in net assets	298,272	1,565,133	1,863,405	374,131	297,790	671,921
Net assets, beginning of year	1,381,397	3,933,298	5,314,695	1,007,266	3,635,508	4,642,774
Net assets, end of year	$ 1,679,669	$ 5,498,431	$ 7,178,100	$ 1,381,397	$ 3,933,298	$ 5,314,695

The Notes to Financial Statements are an integral part of these statements.

Princeton Symphony Orchestra, Inc.
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Changes in net assets	$ 1,863,405	$ 671,921
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Depreciation and amortization	1,744	2,961
Unrealized gain on investments	(228,180)	(220,399)
Realized loss (gain) on sale of investments	38,702	(120,877)
Discount on contributions	39,911	--
Cash provided (used) by changes in		
Grants receivable	(10,000)	--
Accounts receivable	1,900	9,893
Contributions receivable	(1,342,638)	(310,216)
Prepaid expenses	5,135	(10,511)
Accounts payable and accrued expenses	(20,001)	10,746
Deferred revenue	37,674	40,069
Proceeds from contributions restricted for endowment	(455,977)	(119,150)
Net cash used by operating activities	(68,325)	(45,563)
Cash flows from investing activities		
Net transfers (to) from pooled investments	(359,669)	15,369
Purchase of certificates of deposit and reinvested earnings	(162,337)	(509)
Purchase of fixed assets	(7,176)	(2,518)
Website development costs	(35,250)	--
Purchase of trademark	--	(2,942)
Net cash (used) provided by investing activities	(564,432)	9,400
Cash flows from financing activities		
Proceeds from contributions restricted for endowment	455,977	119,150
Change in cash and cash equivalents	(176,780)	82,987
Cash and cash equivalents		
Beginning of year	423,273	340,286
End of year	$ 246,493	$ 423,273
Supplemental disclosure of cash flow information		
Cash paid for income taxes	$ --	$ --
Cash paid for interest	$ --	$ --

The Notes to Financial Statements are an integral part of these statements.

Princeton Symphony Orchestra, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019

	Program			Supporting Services		
	Orchestra	Education and Outreach	Total Program	General and Administrative	Fundraising	Total
Salaries	$ 722,477	$ 188,865	$ 911,342	$ 61,267	$ 92,498	$ 1,065,107
Payroll taxes	57,921	11,198	69,119	4,600	7,087	80,806
Employee benefits	14,359	8,153	22,512	4,351	6,705	33,568
Consultants and professional fees	60,432	3,795	64,227	26,626	6,341	97,194
Advertising	106,716	--	106,716	2,566	--	109,282
Office expense	4,968	977	5,945	15,930	2,713	24,588
Dues and subscriptions	4,192	--	4,192	10,029	--	14,221
IT expense	8,582	--	8,582	15,465	9,683	33,730
Occupancy	88,933	23,303	112,236	7,559	11,413	131,208
Travel and entertainment	19,578	4,252	23,830	10,296	38,721	72,847
Depreciation	--	--	--	1,744	--	1,744
Insurance	19,342	5,056	24,398	1,641	2,476	28,515
Special event expenses	--	--	--	--	110,018	110,018
Production costs	87,616	5,317	92,933	--	--	92,933
	$ 1,195,116	$ 250,916	$ 1,446,032	$ 162,074	$ 287,655	$ 1,895,761

The Notes to Financial Statements are an integral part of this statement.

1. NATURE OF ORGANIZATION

Princeton Symphony Orchestra, Inc. (the "Organization") is a fully professional ensemble that offers orchestral, pops, and chamber music programs complemented by a variety of lectures and events to enhance audience understanding and enjoyment and to reinforce music's essential role in the life of the greater Princeton community. The Organization also offers a comprehensive music education program, PSO BRAVO!, serving students of all ages with performances, coaching and music instruction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of trustees. Board designated funds are also presented in net assets without donor restrictions.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Contributions are recognized as contribution revenue in the period received as assets, decreases of liabilities, or expenses depending on the form of benefits received. Contributions are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year and are discounted using the US treasury rate which was 1.75 percent at June 30, 2019. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Revenue from ticket sales, performance fees and advertising is recognized when earned. Monies received in advance of performances are recorded as deferred revenue on the statements of financial position and recognized into revenue when the performance occurs.

Revenue from benefits (special events) are recorded when the event occurs.

In-Kind Donations

In-kind donations are recorded at their estimated fair value determined on the date of contribution. The Organization had no in-kind donations of services at June 30, 2019 and 2018. The Organization had in-kind donations of auction items of $13,813 and $9,447 at June 30, 2019 and 2018, respectively.

Cash and Cash Equivalents

The Organization considers all cash held in money market accounts to be cash equivalents, as well as debt securities with an initial maturity of three months or less from the date of acquisition.

Certificates of Deposit

Certificates of deposit are stated at cash plus accrued interest.

Investments

The Organization's investments are carried at net asset value (see Note 5) in the statements of financial position. Net investment return (including realized and unrealized gains and losses on investments, interest and dividends, net of direct internal and external investment expenses) is included in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Receivables and Credit Policies

Accounts receivable are uncollateralized, non-interest bearing, customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer; grants and pledges receivable are stated at the amounts earned under the grant or pledge agreement. Payments of accounts receivable are allocated to specific invoices identified on the customer's remittance advice, or if unspecified, are applied to the earliest unpaid invoices.

Accounts receivable balances over 90 days old from the invoice date are considered delinquent. At June 30, 2019 and 2018, there were no delinquent accounts. The carrying amounts of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Management has determined that no allowance for uncollectible accounts was required at June 30, 2019 and 2018.

Property and Equipment

Property and equipment are stated at cost. Generally, acquisitions over $500 are capitalized. Maintenance and repairs that do not improve or extend the lives of assets are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the related asset, which is generally 5-7 years for furniture, fixtures and equipment.

Website

Capitalized website expense is stated at cost. Amortization is computed using the straight-line method over the estimated useful life of the related asset, which is 5 years. The website was placed in service on July 1, 2019, therefore, there was no depreciation or accumulated depreciation at June 30, 2019 and 2018.

Trademark

Trademark is stated at cost and is amortized over 10 years using the straight-line method.

Tax Exempt Status

The Organization was incorporated in the State of New Jersey as a nonprofit organization on July 11, 1980. The Organization has received a determination from the Internal Revenue Service granting exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization had no unrecognized tax benefits at June 30, 2019 and 2018 and has incurred no interest or penalties related to income taxes for the periods presented in the financial statements.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and have been detailed on the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense Category	Method of Allocation
Salaries	Time and effort
Payroll taxes	Salaries
Employee benefits	Salaries
Insurance	Salaries
Occupancy	Salaries
Telephone (included in office)	Salaries

Advertising Costs

The Organization uses advertising to promote its concerts and outreach programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising and promotion costs amounted to $109,282 and $83,079 for the years ended June 30, 2019 and 2018, respectively.

Reclassifications

Certain amounts in the June 30, 2018 financial statements have been reclassified to the 2019 financial statement presentation. These changes had no effect on previously reported changes in net assets.

New Accounting Pronouncements Adopted in Current Year

Not-For-Profit Reporting

During 2019, the Organization adopted ASU 2016-14 – *Not-for-profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-profit Entities* issued by the Financial Accounting Standards Board ("FASB"). This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and presentation of expenses by both their natural and functional classification.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 is as follows:

Net Assets Classifications	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented			
Unrestricted	$ 1,381,397	$ --	$ 1,381,397
Temporarily restricted	--	3,933,298	3,933,298
Net assets as previously presented	$ 1,381,397	$ 3,933,298	$ 5,314,695

New Accounting Pronouncements Issued Not Yet Effective

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, which supersedes all existing revenue recognition requirements, including most industry-specific guidance. Together with subsequent amendments, this created Accounting Standards Codification Topic 606 (“ASC 606”). ASC 606 requires an entity to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the entity expects to receive for those goods or services. ASC 606 also expands disclosure requirements. ASC 606 will be effective for non-public entities for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. ASC 606 allows for either “full retrospective” adoption, meaning the standard is applied to all of the periods presented, or “modified retrospective” adoption, meaning the standard is applied only to the most current period presented in the financial statements. The Organization is currently evaluating the impact of adoption of ASC 606. At this time, management believes that the adoption of ASC 606 will not have a material impact on its financial statements because existing contractual performance obligations, which determine when and how revenue is recognized, are not materially changed under ASC 606.

Revenue Recognition – Contributions Received and Made

In June 2018 the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB is issuing this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts not-for-profit organizations (“NFPs”) because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. This ASU is effective for annual periods and interim periods beginning after December 15, 2018. The Organization is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

Leases

In February 2016, the FASB issued ASU 2016-02 *Leases (Topic 842)*, which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments, on the statements of financial position for all of the Organization’s lease obligations. This ASU is effective for fiscal years beginning after December 15, 2020. The Organization is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditures were as follows:

Financial assets		
Cash and cash equivalents, without restriction	$	246,493
Certificates of deposit		264,450
Grants receivable		21,398
Accounts receivable		500
Total financial assets		532,841
Liquidity resources		
Estimated annual draw from investment funds		285,000
Total financial assets and liquidity resources	$	817,841

The financial assets above are not subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The goal of the Organization is to have annual operating revenue cover expenses. Annually the Organization draws funds from its endowment in accordance with its spending policy (see Note 9) to cover operating expenses. In addition, the Organization has board designated net assets of approximately $1,127,000 that could be utilized upon approval of the board of trustees.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows at June 30:

	2019	2018
Due in the next year (2020)	$ 469,760	$ 238,912
Due in 1-5 years	1,202,450	90,660
	1,672,210	329,572
Less: Discount on contributions receivable	(39,911)	--
	$ 1,632,299	$ 329,572

5. POOLED INVESTMENT HELD BY PACF

Investments are held in pooled funds invested with the Princeton Area Community Foundation, Inc. (“PACF”). As a participant in the pooled funds, the Organization’s ownership interest is based on the units held by the Organization to the total of all units in the pooled funds. The pool is revalued monthly and income and gains or losses are allocated to the participants based on their units.

The market value and cost of the pooled investments is as follows at June 30:

	2019		2018	
	Cost	Market	Cost	Market
Pooled investments	$ 4,058,861	$ 5,203,318	$ 3,747,358	$ 4,654,171

Investment income related to the pooled investments for the years ended June 30, 2019 and 2018, comprised the following:

	2019	2018
Dividends & interest	$ 78,659	$ 50,316
Realized (loss) gain	(38,702)	120,877
Unrealized gain	228,180	220,399
Investment fees	(26,836)	(24,086)
	$ 241,301	$ 367,506

The Organization uses NAV to determine the fair value of certain investments by major category as of June 30, 2019 and 2018:

Category of Investment	Investment Strategy	NAV - 2019	NAV - 2018	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Pooled fund	Long-Term Growth	$ 5,203,318	$ 4,654,171	None	None	None

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2019	2018
Furniture, fixtures and equipment	$ 26,566	$ 19,389
Less accumulated depreciation	(18,000)	(16,549)
Furniture and fixtures, net	$ 8,566	$ 2,840

Depreciation expense amounted to $1,450 and $1,110 for the years ended June 30, 2019 and 2018, respectively.

7. TRADEMARKS

Trademarks consist of the following at June 30:

	2019	2018
Trademarks	$ 2,942	$ 7,636
Less accumulated amortization	(294)	(4,694)
Trademarks, net	$ 2,648	$ 2,942

Amortization expense amounted to $294 and $1,851 for the years ended June 30, 2019 and 2018, respectively.

8. NET ASSETS

Restricted net assets are available for the following purposes or periods at June 30:

	2019	2018
Restricted for Projects		
Support for 2019-2020 concerts	$ 24,050	$ --
Support for 2018-2019 concerts	--	30,456
Support for FY2019 opening night	--	15,000
Support for Sustainability	3,100	7,656
Time and purpose restricted	114,660	179,320
Subtotal restricted for Projects	141,810	232,432
Restricted for PSO Endowment	3,715,984	3,700,866
Restricted for Next 10! Endowment	1,640,637	--
	$ 5,498,431	$ 3,933,298

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2019	2018
Purpose restriction accomplished	$ 364,399	$ 369,202

9. ENDOWMENT FUNDS

The Organization's endowment consists of 2 funds, the PSO Endowment and the Next 10! Campaign endowment fund which are invested in a pooled investment fund (see Note 5) established for funding special projects that may arise and for generating operating income. The endowment consists of gifts restricted for long-term support of the Organization. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted state law as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Organization's endowment policy allows it to draw on the funds if a majority of the Board agrees to do so for a specific purpose. As a result of this interpretation, the Organization classified as net assets with restrictions (a) the original value of gifts donated to the restricted endowment and (b) the original value of subsequent gifts to the restricted endowment. The remaining portion of donor-restricted endowment fund is classified as net assets without donor restrictions, subject to board designation, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by state law and the Organization's spending policy.

The Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) the duration and preservation of the funds
(2) the purposes of the Organization and the endowment funds
(3) general economic conditions
(4) the possible effect of inflation and deflation
(5) the expected total return from income and appreciation of investments
(6) other resources of the Organization
(7) the investment policies of the Organization

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. The Organization accumulates earnings through the board-designated portion of the endowment and upon board approval, releases the funds to operations. The Organization distributes annually an amount equal to a percentage of the value of the endowment funds calculated based upon the average of the total investment portfolio over the preceding 36 months. The board approved a distribution of $200,000 and $155,000 for the years ended June 30, 2019 and 2018, respectively.

The following table provides information regarding the change in endowment net assets for the years ended June 30, 2019 and 2018:

	June 30, 2019				
	Board Designated		With Donor Restrictions		
	Endowment Funds	Innovation Funds	PSO Endowment	Next 10! Endowment	Total
Endowment net assets at July 1, 2018	$ 724,300	$ 277,965	$ 3,700,866	$ --	$ 4,703,131
Contributions to endowment	--	113,100	15,118	1,640,637	1,768,855
Unrealized gains on investments	213,017	15,094	--	--	228,111
Realized losses on investments	(36,022)	(2,285)	--	--	(38,307)
Investment income, net of fees	44,382	2,286	--	--	46,668
Income allocated for spending	(200,000)	(25,000)	--	--	(225,000)
Endowment net assets at June 30, 2019	$ 745,677	$ 381,160	$ 3,715,984	$ 1,640,637	$ 6,483,458

	June 30, 2018				
	Board Designated		With Donor Restrictions		
	Endowment Funds	Innovation Fund	PSO Endowment	Next 10! Endowment	Total
Endowment net assets at July 1, 2017	$ 532,687	$ 256,409	$ 3,549,110	$ --	$ 4,338,206
Contributions to endowment	--	--	151,756	--	151,756
Unrealized gains on investments	209,879	7,468	--	--	217,347
Realized gains on investments	111,693	13,006	--	--	124,699
Investment income, net of fees	25,041	1,082	--	--	26,123
Income allocated for spending	(155,000)	--	--	--	(155,000)
Endowment net assets at June 30, 2018	$ 724,300	$ 277,965	$ 3,700,866	$ --	$ 4,703,131

Board Designated Net Assets
The Organization has two board designated funds as follows:

Endowment Funds - As part of the Next 10! Campaign and the PSO Endowment, interest earned from gifts designated for the endowment funds will be used for initiatives at the core of the Organization's mission. Investments are made following a Board-approved policy designed to maintain the long-term buying power of the principal. Fund withdrawals are subject to a majority Board vote with a draw level limit of 5%.

Innovation Funds – The innovation fund consists of the Arnie Snider Fund and the Next 10! Innovation Fund and represent a Board-designated fund created to enable strategic programmatic investments that advance the mission of the Organization. These Funds will allow the Organization to implement innovative programs and projects that have an immediate impact within the community. Unlike the Endowment Funds, the Innovation Funds are not subject to a limited draw, but as Board-designated funds, they are still protected by the Organization's investment policy that requires Board approval in order to authorize any withdrawal of funds.

10. COMMITMENTS

Operating Leases
The Organization has a non-cancelable lease for office space which began July, 2015 and expires June 2020. Future minimum annual rental payments are as follows for the years ending June 30:

Year	Amount
2020	$ 26,160

Employment Contracts
The Organization has employment agreements with two employees that expire in 2021 and 2022. Future annual payments due under these agreements are as follows for the years ending June 30:

Year	Amount
2020	$ 231,000
2021	238,000
2022	115,000
	$ 584,000

11. RELATED PARTY TRANSACTIONS

For the years ending June 30, 2019 and 2018, contributions from Board of Trustees amounted to approximately $488,000 and $318,000, respectively.

12. CONCENTRATION OF CREDIT RISK

The Organization maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on its cash balances.

Receivable Concentrations
At June 30, 2019, the Organization had 1 donor that comprised 80% of outstanding receivables. At June 30, 2018, the Organization had 1 donor which comprised 52% of receivables.

Revenue Concentrations
At June 30, 2019, the Organization had 1 donor that comprised approximately 50% of total contribution revenue. At June 30, 2018, the Organization had 3 donors that comprised approximately 26% of total contribution revenue.

Concentration of Labor Subject to Collective Bargaining Agreement
The Organization has an agreement with the American Federation of Musicians, Local 62 of the American Federation of Musicians which is in effect from July 1, 2017 through June 30, 2021. At June 30, 2019, the Organization had a total of approximately 180 employees. Approximately 95 percent of the Organization's employees are represented by a union.

13. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the statement of financial position date through the date of November 5, 2019, which is the date the financial statements were available to be issued. Based on this evaluation, the Organization has determined that no subsequent events have occurred which require disclosure in or adjustment to the financial statements.

SUPPLEMENTARY INFORMATION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

To the Trustees,
Princeton Symphony Orchestra, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Princeton Symphony Orchestra, Inc. (the "Organization") which comprise the statement of financial position as of June 30, 2019 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WithumSmith+Brown, PC

November 5, 2019

Princeton Symphony Orchestra, Inc.
Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2019

Grantor/Program Title	Award Number	Award Period	Award Amount	Total Expendtures
State of New Jersey				
Department of State				
State Council on Arts				
General operating support	1902X010096	07/01/18-06/30/19	$ 45,592	$ 45,592

Basis of Presentation

The schedule of expenditures of state financial assistance includes the state grant activity of Princeton Symphony Orchestra, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Organization's grant agreement with the State of New Jersey, Department of State, State Council on the Arts. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

See Independent Auditors' Report.

Section 1 – Summary of Auditors' Results

Financial Statements	
Type of auditors' report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted	No

Section 2 – Financial Statement Findings

None

Section 3 – State Award Findings and Questioned Costs

None

No findings or questioned costs in prior year's audit.

See Independent Auditors' Report.